

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY

MESICK, MICHIGAN

JUNE 30, 2008

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

JUNE 30, 2008

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SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

JUNE 30, 2008

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October 15, 2008

INDEPENDENT AUDITORS' REPORT

To the Township Board
Springville Township
Wexford County
Mesick, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springville Township, Wexford County, Mesick, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Springville Township, Wexford County, Mesick, Michigan, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Springville Township, Wexford County, Mesick, Michigan's basic financial statements. The individual fund financial statements and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Springville Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Springville Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$530,724. Of this amount, \$194,193 may be used to meet the Township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$236,414 an increase of \$27,227 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township were \$530,724 at June 30, 2008, meaning the Township’s assets were greater than its liabilities by this amount.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Springville Township
Net Assets as of June 30, 2008

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 242,150
Non Current Assets	
Capital Assets	512,214
Less: Accumulated Depreciation	<u>(195,991)</u>
Total Non Current Assets	<u>316,223</u>
Total Assets	<u><u>\$ 558,373</u></u>
Liabilities	
Current Liabilities	\$ 16,692
Long-Term Liabilities	<u>10,957</u>
Total Liabilities	<u>27,649</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	294,310
Restricted for Specific Purposes	42,221
Unrestricted	<u>194,193</u>
Total Net Assets	<u>530,724</u>
Total Liabilities and Net Assets	<u><u>\$ 558,373</u></u>

The most significant portions of the Township's Net Assets are cash investment and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$194,193 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The total net assets of the Township increased by \$40,996 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Springville Township
Change in Net Assets
for the Fiscal Year Ended June 30, 2008

	<u>Governmental</u> <u>Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 1,660
Operating Grants and Contributions	22,333
General Revenues	
Taxes	54,497
State Shared Revenue	85,182
Interest Earnings	9,741
Other	<u>10,000</u>
Total Revenues	<u>183,413</u>
<u>Expenses</u>	
Legislative	6,514
General Government	84,462
Public Safety	41,686
Public Works	596
Community and Economic Development	1,175
Other Functions	6,867
Interest on Long-Term Debt	<u>1,117</u>
Total Expenses	<u>142,417</u>
Change in Net Assets	40,996
<u>NET ASSETS</u> - Beginning of Year	<u>489,728</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 530,724</u></u>

Governmental Activities

During the fiscal year ended June 30, 2008, the Township's net assets increased by \$40,996 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Springville Township comes from state shared revenues. State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by general government expenses that total \$84,462. Public safety represented the next largest expense at \$41,686.

Depreciation expense represents a large portion of the public safety and general government expenses at \$12,000 and \$7,213 respectively.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Springville Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Springville Township's governmental funds reported combined ending fund balances of \$236,414. \$194,193 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund increased its fund balance by \$19,590 which brings the fund balance to \$193,248. All of the General Fund's fund balance of \$193,248 unreserved. Tax revenues represented \$50,537. State grant revenues represented \$87,846.

Fire Fund – The Fire Fund increased its fund balance by \$7,397 which brings the fund balance to \$37,071. This balance is reserved and must be used for fire protection.

The Township has contracts with Antioch Township, Hanover Township and Wexford Township for fire protection. This generated \$19,669 in revenues for Springville Township.

Cemetery Perpetual Care Fund – The Cemetery Perpetual Care Fund balance increased its fund balance by \$240 which brings the fund balance to \$6,095. This balance is reserved and must be used for cemetery operations.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Proprietary Fund The Township does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of June 30, 2008 amounted to \$316,223 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Springville Township
Capital Assets as of June 30, 2008

	<u>Governmental Activities</u>
Land and Land Improvements	\$ 64,010
Buildings	135,426
Machinery and Equipment	257,995
Infrastructure	<u>54,783</u>
	512,214
Less Accumulated Depreciation	<u>(195,991)</u>
Net Capital Assets	<u><u>\$ 316,223</u></u>

Major capital asset events during the current fiscal year included the following:

- Building addition at the township hall at a cost of \$6,620.
- Paving of the township hall parking lot at a cost of \$15,405.

Long-Term Debt. At the end of the current fiscal year, the Township had total installment debt outstanding of \$21,913. The entire balance of this debt is backed by the full faith and credit of the government. Additional information on the Township's long-term debt can be found in the notes to the financial statements.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues. The Township's millage rate was reduced again by the Headlee Amendment rollback for general operating purposes.

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Springville Township at P.O. Box 413, Mesick, Michigan 49668.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 213,994
Receivables	
Intergovernmental	27,865
External Party (Fiduciary Fund)	291
	<hr/>
Total Current Assets	242,150
	<hr/>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	64,010
Buildings	135,426
Machinery and Equipment	257,995
Infrastructure	54,783
	<hr/>
	512,214
Less Accumulated Depreciation	195,991
	<hr/>
Net Capital Assets	316,223
	<hr/>
TOTAL ASSETS	\$ 558,373
	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 5,736
Current Portion of Long-Term Liabilities	10,956
	<hr/>
Total Current Liabilities	16,692
	<hr/>
<u>NONCURRENT LIABILITIES</u>	
Bond Payable - Road Construction (Net of Current Portion)	10,957
	<hr/>
Total Liabilities	27,649
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	294,310
Restricted for Public Safety	37,071
Restricted for Cemetery Perpetual Care	5,150
Unrestricted	194,193
	<hr/>
TOTAL NET ASSETS	530,724
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 558,373
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES
					AND CHANGE IN NET ASSETS
					TOTAL
					GOVERNMENTAL
					ACTIVITIES
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
Legislative	\$ 6,514	\$ 0	\$ 0	\$ 0	\$ (6,514)
General Government	84,462	1,445	0	0	(83,017)
Public Safety	41,686	215	19,669	0	(21,802)
Public Works	596	0	2,664	0	2,068
Community and Economic Development	1,175	0	0	0	(1,175)
Other Functions	6,867	0	0	0	(6,867)
Interest on Long-Term Debt	1,117	0	0	0	(1,117)
Total	\$ 142,417	\$ 1,660	\$ 22,333	\$ 0	(118,424)
GENERAL REVENUES					
Taxes					54,497
State Shared Revenue					85,182
Interest Earnings					9,741
Other					10,000
Total General Revenues					159,420
Change in Net Assets					40,996
NET ASSETS - Beginning of Year					489,728
NET ASSETS - End of Year					\$ 530,724

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2008

	GENERAL FUND	FIRE FUND	CEMETERY PERPETUAL CARE FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 166,071	\$ 41,828	\$ 6,095	\$ 213,994
Due from Other Funds	1,260	0	0	1,260
Due from Other Governments	27,865	0	0	27,865
TOTAL ASSETS	<u>\$ 195,196</u>	<u>\$ 41,828</u>	<u>\$ 6,095</u>	<u>\$ 243,119</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 1,948	\$ 3,788	\$ 0	\$ 5,736
Due to Other Funds	0	969	0	969
TOTAL LIABILITIES	<u>1,948</u>	<u>4,757</u>	<u>0</u>	<u>6,705</u>
<u>FUND BALANCE</u>				
Reserved for:				
Fire Protection	0	37,071	0	37,071
Cemetery Perpetual Care	0	0	5,150	5,150
Unreserved				
Designated for Cemetery Operations	0	0	945	945
Undesignated	193,248	0	0	193,248
Total Fund Balance	<u>193,248</u>	<u>37,071</u>	<u>6,095</u>	<u>236,414</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 195,196</u>	<u>\$ 41,828</u>	<u>\$ 6,095</u>	<u>\$ 243,119</u>

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total Fund Balance for Governmental Funds \$ 236,414

Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$ 64,010	
Buildings	135,426	
Machinery and Equipment	257,995	
Infrastructure	54,783	
Accumulated Depreciation	<u>(195,991)</u>	316,223

Long-term liabilities and accrued interest are not due and payable in
the current term and are not reported in the funds.

Bond Payable - Road Construction	<u>(21,913)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 530,724</u></u>
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The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008

	GENERAL FUND	FIRE FUND	CEMETERY PERPETUAL CARE FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 50,537	\$ 0	\$ 0	\$ 50,537
Contributions from Other Local Units	0	19,669	0	19,669
State Grants	87,846	0	0	87,846
Charges for Services	5,405	215	0	5,620
Interest and Rents	9,063	438	240	9,741
Other Revenues	10,000	0	0	10,000
Total Revenues	162,851	20,322	240	183,413
<u>EXPENDITURES</u>				
Legislative	6,514	0	0	6,514
General Government	99,274	0	0	99,274
Public Safety	0	29,686	0	29,686
Public Works	596	0	0	596
Community and Economic Development	1,175	0	0	1,175
Other Functions	6,867	0	0	6,867
Debt Service	12,074	0	0	12,074
Total Expenditures	126,500	29,686	0	156,186
Excess (Deficiency) of Revenues Over Expenditures	36,351	(9,364)	240	27,227
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)	(16,761)	16,761	0	0
Net Change in Fund Balance	19,590	7,397	240	27,227
<u>FUND BALANCE</u> - Beginning of Year	173,658	29,674	5,855	209,187
<u>FUND BALANCE</u> - End of Year	\$ 193,248	\$ 37,071	\$ 6,095	\$ 236,414

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

JUNE 30, 2008

Net Change in Fund Balance - Total Governmental Funds	\$ 27,227
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(19,213)
Capital Outlay	22,025
Repayments of principal on long-term debt are an expenditure in the governmental funds, but not in the statement of activities.	<u>10,957</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 40,996</u></u>

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008

	<u>AGENCY FUND</u>
<u>ASSETS</u>	
Cash	\$ 13,639
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Other Funds	\$ 291
Due to Other Governments	13,348
	<hr/>
TOTAL LIABILITIES	13,639
<u>NET ASSETS</u>	<hr/> 0
TOTAL LIABILITIES AND NET ASSETS	<hr/> \$ 13,639 <hr/>

The accompanying notes are an integral part of the financial statements.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Springville Township is a general law township located in Wexford County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Springville Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

The *Cemetery Perpetual Care Fund* accounts for receipts from the sale of cemetery lots, the principal of which is an endowment, and the interest earnings are used for cemetery operations.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Additionally Springville Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(I) State statutes authorize the Township to invest funds as follows:

- (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
- (c) In commercial paper rated at the time of purchase within two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- (d) In repurchase agreements consisting of instruments listed in subdivision (a).
- (e) In bankers' acceptances of United States banks.
- (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

- (g) In mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
- i. The purchase of securities on a when-issued or delayed delivery basis.
 - ii. The ability to lend portfolio securities as long as the mutual fund received collateral all times equal to at least 100% of the value of the securities loaned.
 - iii. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA7, MCL 124.501 to 124.512.
- (i) In investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (II) A public corporation that invests its funds under subsection (1) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.

Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).

As used in this section "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

taxes and county operating taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2007 taxable valuation of Springville Township totaled \$ 37,215,099, on which ad valorem taxes levied consisted of 0.9616 mills for Springville Township operating purposes. The levy raised approximately \$35,579 for operating purposes.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land improvements	15
Buildings	50
Building improvements	20
Public domain infrastructure	20
System infrastructure	20
Vehicles	10
Machinery and equipment	5-10

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on a basis consistent with generally accepted accounting principles. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on June 18, 2007 or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

B. Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government	\$ 84,500	\$ 99,274
Debt Service	0	12,074

These overages were funded by available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with Citizens Bank in Mesick, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2008, \$112,739 of the government's bank balance of \$226,378 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables and Deferred Revenues

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 45,000	\$ 0	\$ 0	\$ 45,000
Capital assets, being depreciated				
Land Improvements	3,605	15,405	0	19,010
Buildings	128,806	6,620	0	135,426
Machinery and equipment	257,995	0	0	257,995
Infrastructure	54,783	0	0	54,783
Total capital assets, being depreciated	445,189	22,025	0	467,214
Less accumulated depreciation for:				
Land Improvements	901	887	0	1,788
Buildings	12,089	2,587	0	14,676
Machinery and equipment	158,995	13,000	0	171,995
Infrastructure	4,793	2,739	0	7,532
Total accumulated depreciation	176,778	19,213	0	195,991
Total capital assets, being depreciated, net	268,411	2,812	0	271,223
Governmental activities capital assets, net	\$313,411	\$ 2,812	\$ 0	\$316,223

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 7,213
Public Safety	<u>12,000</u>
Total depreciation expense - governmental activities	<u><u>\$ 19,213</u></u>

Construction Commitments:

The government has no outstanding construction commitments as of June 30, 2008.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at June 30, 2008, were:

<u>Fund</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 1,260	\$ 0
Fire Fund	0	969
Fiduciary Funds		
Current Tax Collection Fund	0	291
	<u><u>\$ 1,260</u></u>	<u><u>\$ 1,260</u></u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund Transfers as of June 30, 2008, were:

	<u>TRANSFERS IN</u>	<u>OUT</u>
General Fund	\$ 0	\$ 16,761
Fire Fund	16,761	0
	<u><u>\$ 16,761</u></u>	<u><u>\$ 16,761</u></u>

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-Term Debt

The following is a summary of the long-term debt transactions of the Township of Springville for the year ended June 30, 2008.

Long-Term Debt Payable	
At July 1, 2007	\$ 32,870
Debt Incurred	0
Debt Retired	<u>(10,957)</u>
LONG-TERM DEBT PAYABLE AT JUNE 30, 2008	<u>\$ 21,913</u>
Due within one year	<u>\$ 10,957</u>

Debt payable at June 30, 2008, consisted of the following:

Road Construction Bond	
\$54,783 payable to Wexford County Road Commission due in varying annual installments of \$11,340 to \$12,425 through June 25, 2010. Interest at 3.35% to 3.50%.	<u>\$ 21,913</u>

The annual requirements to amortize the debt outstanding as of June 30, 2008, are as follows:

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$ 10,956	\$ 757	\$ 11,713
2010	10,957	384	11,341
	<u>\$ 21,913</u>	<u>\$ 1,141</u>	<u>\$ 23,054</u>

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. In addition, certain portions of unreserved fund balances have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

FUND BALANCE/NET ASSETS

Reserved	
Fire Fund	
Fire Protection	\$ 37,071
Cemetery Fund	
Cemetery Endowments	<u>5,150</u>
 Total Fund Balance/Net Assets Reserves	 42,221
 Designated	
Cemetery Fund	
Cemetery Operations	<u>945</u>
 TOTAL FUND BALANCE RESERVES AND DESIGNATIONS	 <u><u>\$ 43,166</u></u>

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Sale of Future Revenues

For several years, the Township has sold its rights to delinquent real property tax revenues and related late payment penalties to the Wexford County treasurer. For the 2007 tax roll, the Township received a lump sum payment of \$6,031 for general operating tax revenues. This amount represents 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the county is allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the county is ultimately unable to collect any of these delinquent taxes, the Township will have to repay the county.

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	GENERAL FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 59,215	\$ 59,215	\$ 50,537	\$ 0	\$ 0	\$ 0
Licenses and Permits	2,000	2,000	0	0	0	0
Contributions from Other Local Units	0	0	0	19,122	19,122	19,669
State Grants	88,850	88,850	87,846	0	0	0
Charges for Services	900	900	5,405	1,000	1,000	215
Interest and Rents	2,000	2,000	9,063	150	150	438
Other Revenues	14,450	14,450	10,000	200	200	0
Total Revenues	167,415	167,415	162,851	20,472	20,472	20,322
<u>EXPENDITURES</u>						
Legislative	9,950	9,950	6,514	0	0	0
General Government	84,500	84,500	99,274	0	0	0
Public Safety	0	0	0	36,627	36,627	29,686
Public Works	5,500	5,500	596	0	0	0
Community and Economic Development	1,375	1,375	1,175	0	0	0
Other Functions	35,400	35,400	6,867	0	0	0
Debt Service	0	0	12,074	0	0	0
Total Expenditures	136,725	136,725	126,500	36,627	36,627	29,686
Excess (Deficiency) of Revenues Over Expenditures	30,690	30,690	36,351	(16,155)	(16,155)	(9,364)
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfer In (Out)	0	0	(16,761)	16,561	16,561	16,761
Net Change in Fund Balance	30,690	30,690	19,590	406	406	7,397
<u>FUND BALANCE</u> - Beginning of Year	0	0	173,658	0	0	29,674
<u>FUND BALANCE</u> - End of Year	\$ 30,690	\$ 30,690	\$ 193,248	\$ 406	\$ 406	\$ 37,071

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GENERAL FUND
BALANCE SHEET

JUNE 30, 2008

ASSETS

Cash	\$ 166,071
Due from Other Governments	
State of Michigan	27,865
Due from Other Funds	<u>1,260</u>
 TOTAL ASSETS	 <u><u>\$ 195,196</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 1,948
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FUND BALANCE

Unreserved	<u>193,248</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 195,196</u></u>
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SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>		
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 59,215	\$ 59,215	\$ 50,537
Licenses and Permits	2,000	2,000	0
State Grants	88,850	88,850	87,846
Charges for Services	900	900	5,405
Interest and Rents	2,000	2,000	9,063
Other Revenue	14,450	14,450	10,000
Total Revenues	167,415	167,415	162,851
<u>EXPENDITURES</u>			
Legislative			
Township Board	9,950	9,950	6,514
General Government			
Supervisor	9,950	9,950	9,228
Assessor	18,000	18,000	17,701
Elections	2,850	2,850	742
Clerk	11,200	11,200	10,987
Board of Review	700	700	732
Treasurer	20,550	20,550	21,784
Building and Grounds	3,050	3,050	25,162
Cemetery	18,200	18,200	12,938
Public Works	5,500	5,500	596
Community and Economic Development	1,375	1,375	1,175
Other Functions	35,400	35,400	6,867
Debt Service			
Principal	0	0	10,957
Interest	0	0	1,117
Total Expenditures	136,725	136,725	126,500
Excess (Deficiency) of Revenues Over Expenditures	30,690	30,690	36,351
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out - Fire Fund	0	0	(16,761)
Net Change in Fund Balance	30,690	30,690	19,590
<u>FUND BALANCE - Beginning of Year</u>	0	0	173,658
<u>FUND BALANCE - End of Year</u>	\$ 30,690	\$ 30,690	\$ 193,248

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

FIRE FUND
BALANCE SHEET

JUNE 30, 2008

ASSETS

Cash	\$ 41,828
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 3,788
Due To Other Funds	969

TOTAL LIABILITIES	4,757
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FUND BALANCE

Reserved for Fire Protection	37,071
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TOTAL LIABILITIES AND FUND BALANCE	\$ 41,828
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SPRINGVILLE TOWNSHIP, WEXFORD COUNTY

MESICK, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	BUDGET		
	ORIGINAL	FINAL	ACTUAL
REVENUES			
Contributions from Other Local Units			
Antioch Township	\$ 9,261	\$ 9,261	\$ 9,903
Hanover Township	3,173	3,173	2,028
Wexford Township	6,688	6,688	7,738
Charges for Services			
Fire Runs	1,000	1,000	215
Interest and Rents			
Interest	150	150	438
Other Revenue			
Contributions and Donations	200	200	0
Total Revenues	20,472	20,472	20,322
EXPENDITURES			
Public Safety			
Fire Protection			
Personal Services			
Salaries and Wages	3,600	3,600	3,600
Employee Benefits			
Social Security Expense	224	224	223
Medicare Expense	53	53	52
Supplies			
Office Supplies	650	650	379
Operating Supplies	2,000	2,000	5,579
Gas and Oil	1,300	1,300	1,165
Other Services and Charges			
Contracted Services	1,700	1,700	100
Volunteers - Clothing Allowance	3,500	3,500	2,463
Communications	700	700	863
Transportation	100	100	49
Utilities	2,000	2,000	2,547
Printing and Publishing	0	0	0
Insurance	11,000	11,000	6,789
Repair and Maintenance	4,000	4,000	4,124

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY

MESICK, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>		<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
Education and Training	1,500	1,500	1,180
Miscellaneous	300	300	573
Capital Outlay			
Equipment	4,000	4,000	0
Total Expenditures	36,627	36,627	29,686
Excess (Deficiency) of Revenues Over Expenditures	(16,155)	(16,155)	(9,364)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In - General Fund	16,561	16,561	16,761
Net Change in Fund Balance	406	406	7,397
<u>FUND BALANCE</u> - Beginning of Year	0	0	29,674
<u>FUND BALANCE</u> - End of Year	\$ 406	\$ 406	\$ 37,071

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

CEMETERY PERPETUAL CARE FUND

BALANCE SHEET
JUNE 30, 2008

ASSETS

Cash	\$ 6,095
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LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	<u>\$ 0</u>
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FUND BALANCE

Reserved for Endowments	5,150
Unreserved, Designated for Cemetery Operations	<u>945</u>

Total Fund Balance	<u>6,095</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 6,095</u></u>
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SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

CEMETERY PERPETUAL CARE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008

REVENUES

Interest and Rents
Interest

\$ 240

EXPENDITURES

0

Excess (Deficiency) of Revenues Over Expenditures

240

FUND BALANCE - Beginning of Year

5,855

FUND BALANCE - End of Year

\$ 6,095

SPRINGVILLE TOWNSHIP, WEXFORD COUNTY
MESICK, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2008

	BALANCE			BALANCE
	7/1/2007	ADDITIONS	DEDUCTIONS	6/30/2008
<hr/>				
<u>ASSETS</u>				
Cash	\$ 15,057	\$ 2,366,992	\$ 2,368,410	\$ 13,639
<hr/>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 199	\$ 46,202	\$ 46,110	\$ 291
Due to Other Organizations and Individuals	0	3,594	3,594	0
Due to Other Governments	14,858	1,127,835	1,129,345	13,348
<hr/>				
Total Liabilities	\$ 15,057	\$ 1,177,631	\$ 1,179,049	\$ 13,639
<hr/>				

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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October 15, 2008

To the Township Board
Springville Township
Wexford County
Mesick, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springville Township, Wexford County, Mesick, Michigan as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Springville Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiency, Lack of Segregation of Duties, described above is a material weakness.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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October 15, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board
Springville Township
Wexford County
Mesick, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Springville Township for the year ended June 30, 2008, and have issued our report thereon dated October 15, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 17, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Springville Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted. We proposed several adjusting journal entries that management accepted and recorded.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2008.

Other Audit Findings or Issues

During the course of our audit of the basic financial statements of Springville Township for the year ended June 30, 2008, we noted the following list of items which we feel deserve comment:

Credit Card Policy

The Township is required to formally adopt a written policy governing the use of its credit card. A sample is available on the Michigan Township Association Website.

Budgeting

PA 621 requires that the Township officially adopt an annual budget before the beginning of the fiscal year. The budget document should include all items required by PA 621, including estimated beginning and ending fund balances for each fund. The budget should be amended during the year before incurring disbursements in excess of appropriations. All amendments to the budget should be clearly recorded in the official township minutes.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.